

# HEAL NY Phase II -- Capital Restructuring Initiatives

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## Questions and Answers July 14, 2006

**The Application Deadline Has Been Extended to August 15, 2006**

The scoring ratios outlined in Section 3.4 of the RGA have been changed.  
The Technical score will comprise 65% of the overall score.  
The Financial score will comprise 35% of the overall score.

### I Application Deadline:

1. I am writing to formally-request an extension of the application due date into mid or late August. I believe that the delay will be more than made up for in the improved quality and clarity of the applications.
2. Will the July 31, 2006 application deadline be extended? Providers are being given a very short timeframe within which to assemble their applications, given the potentially major actions entailed by qualifying projects, the need for approval by a facility's governance, the more limited planning resources a nursing home typically has access to, and the different deadline for voluntary nursing home rightsizing demonstration applications (i.e., August 15), among other factors. This deadline will undoubtedly prevent some number of worthwhile projects from qualifying for funding under this phase of HEAL NY.
3. Is any consideration being given to extending the deadline for submission?
4. Given the tight timeline for submission, will the State consider extending the deadline?
5. Given that the RGA was released during the summer when staff resources are lower, is there the possibility to extend the RGA due date for HEAL NY2?
6. I am wondering if any consideration has been given to extending the timeline for the HEALNY Grants. It is very short, particularly since we, and others, are doing additional planning around the Rightsizing applications. Thank you for your consideration.

**Answers to questions 1 through 6 -- The submission deadline has been extended to August 15, 2006.**

## II. Eligible Applicants:

7. Can rural hospitals submit multiple applications for independent projects?

**Yes.**

8. In reviewing the HEAL 2 RGA, we saw no indication as to whether a single entity could apply under the regional award category or whether this category was reserved for regional health care networks. What types of projects meet the definition of a regional award?

**A single entity can apply as set forth in Section 1.4 Eligible Applicants. A single entity can apply and be reviewed along with other applicants in the region. Proposals may also be multi-provider to promote regional level right-sizing, restructuring, and/or consolidation of health care services.**

9. We are a Critical Access Hospital and we are renovating and replacing structural and mechanical parts of our infrastructure. Reading over the grant guidelines under allowed expenditure types, it implies that only hospitals or nursing homes who are considering closing or downsizing are eligible to apply (of which we are doing neither). Are we interpreting this correctly?

**A successful grant recipient will have demonstrated (in addition to the other requirements set out in the RGA that it is an Eligible Applicant (as described in Section 1.4 of the RGA), that it is proposing an appropriate project implementing the Objectives described in Section 1.2 of the RGA, and that will incur Allowable Costs for which grant funds may be used as described in Section 1.8 of the RGA. Applications meeting these (and the other RGA) requirements, will be reviewed against the factors described in Section 3.4 of the RGA, the first of which is “Demonstration of reduction in excess health system cost or usage.” While some of the Project examples in Section 1.3 of the RGA relate to closure and downsizing, scoring of all applications will be in accordance with the Selection Review Process described in Section 3.4 of the RGA.**

10. We have a not-for-profit client who meets the applicant criteria for HEAL and is considering trying to provide affordable assisted living by renovating a nursing home in a market that has a significant amount of lower income seniors. Are we on track with considering that this would be an appropriate HEAL Phase II grant submission?

**Your project must meet the goals of HEAL NY as defined in Section 1.2 - HEAL NY Capital Restructuring Objectives; and, the project criteria as described in section 1.3 – HEAL NY Capital Restructuring Projects.**

**As set forth in Section 1.3 of the RGA, HEAL NY Capital Restructuring Projects may include reconfiguration of the State’s hospital and nursing home bed supply to more appropriately align bed supply with regional needs through measures which may include resizing, consolidation, conversion or restructuring such facilities. Any project to “right-size” the system must consider the provision of services in light of social and economic factors, as well as the cost effectiveness of capital investment to reconfigure existing**

**structures to accommodate more appropriate functioning as compared to other more costly alternatives such as new or replacement construction.**

11. Regardless if separate projects are related can only 1 project be submitted per RGA?

**There is no limit to the number of applications that can be submitted by an applicant as long as each application is for a different project. Similarly, there is also no limit to the number of “projects” collectively meeting the objectives of the RGA that can be grouped in a single application.**

12. I am still not sure which category would be most advantageous to apply for as we are eligible for both Rural and Regional categories. Can you recommend which category would be best for us?

**The applicant needs to determine which category is the best evaluation category for their grant application. Rural projects are evaluated on a statewide basis along with other applications that comply with the Rural project criteria and request to compete for a grant from the Rural allocation. When selecting the Regional category, all applications in the region (excluding those selecting Small and Rural) are evaluated and compared to each other, regardless of size, to determine the best projects based on the criteria outlined in the RGA.**

13. Referring to Section 1.7.1 in the RFA, how should we determine whether our project fits into the “Small Project” or “Regional Project” category? Which category is expected to be more competitive?

**It is possible that a project may meet both sets of criteria. It is up to the applicant to make the determination as to their applicant category. The Department cannot comment on the “competitive nature” of the categories. At this point in time, we have no way of knowing the number of applications that will be submitted in each category. Regardless of the level of competition, applications must meet the standards described in the RGA to be considered for an award.**

14. Our county is not listed in Attachment 4 NYS Rural Counties and Towns, but our town is listed as having fewer than 200 Persons per Square Mile. Are we eligible for the rural designation?

**As stated in Section 1.7.1 Grant Categories: A rural hospital is one that meets the requirements as defined in NYS Code of Rules and Regulations 10 NYCRR 700.2, (see RGA Attachment 3). A rural Nursing Home must be located within one of the locations included in the listing of NYS Rural Counties and Towns, (see RGA Attachment 4).**

15. The RGA indicates that an applicant must choose one of the three possible categories (small, rural, and regional) to compete for a grant award. If the review committee determines that an application for a grant made in a particular category would be more appropriately made for a different category, will the committee make a determination to treat the application in the different category?

No.

16. Our County currently operates two Skilled Nursing Facilities. The County recently reduced its' total approved bed count through the "Rightsizing" process. The County has already substantially cut the number of beds it will operate now and into the future. Would this set of circumstances effect the Department's scoring of an application by the County?

**Applications are scored based on the merits of the specific project, not the applicant's history of activity.**

17. In a case where there are two independent hospitals (each having a separate and distinct nursing home corporation) that are pursuing a plan of affiliation together, does the RGA allow for the submission of four separate HEAL NY Phase 2 applications?
18. If the answer to the above question is yes, is each of the four organizations able to request up to the maximum amount indicated per project?

**The answers to questions 17 and 18 are both yes; however, potential applicants are encouraged to collaborate on projects rather than compete against each other. It should be noted that each application should be for a distinct and complete project. An applicant can't split a single project into pieces to avoid funding caps.**

### III. Project Timeframes:

19. According to the Request for Grant Application (RGA) all reimbursable and matching expenses must be incurred within the period of the Grant Disbursement Agreement (GDA). Some capital expenses associated with these projects may have been incurred before the GDA date. Phase 1 of the HEAL NY grants allowed costs incurred after February 1, 2005, a full ten months before the application due date and an even longer period before the GDA date, to be counted towards matching expenses. What is the rationale for handling such expenses differently than they were handled in Phase 1?

**The Department has determined that for Phase 2 of HEAL, reimbursable and matching costs must be incurred during the term of the GDA.**

20. Do all funds have to be disbursed by October 1, 2008 or can they extend beyond the endpoint, if contractually committed?

**Generally applicants use an accrual basis of accounting for expenses, therefore expenses would have needed to be incurred during the grant period. For those applicants using a cash basis of accounting, the expense would need to be disbursed during the term of the RGA. Exceptions shall be reviewed on a case-by-case basis.**

21. Is it possible to retroactively apply for funding for already completed projects or approved projects?

**It is not possible to retroactively apply for funding for an approved project. HEAL NY funds cannot supplant committed funding sources or cover previously incurred expenditures.**

22. Many of the initiatives used as examples in the RGA, are initiatives that we have already undertaken (EG... 2 Bed Emergency Rooms, closing hospital, nursing homes, etc). Can previous spending be used as our contribution to a project? If so, how far could we go back? For example, we are building a new ER to accommodate the increased utilization associated with a closing.

**No. HEAL NY funds cannot be used to supplant committed funding sources or to cover previously incurred expenditures.**

23. At the applicant conference, there was a statement made that HEAL NY grant funds and matching funds can only be counted if the costs for each are incurred during the term of the grant disbursement agreement (GDA). In the case of some projects, restructuring activities are ongoing and may be occurring prior to the effective date of the GDA. We assume that in such a case, any costs directly incurred by the awardee prior to the effective date of the GDA would not qualify, including costs covered by a bill from a project subcontractor paid prior to the effective date of the GDA. Please confirm that activities performed by a subcontractor prior to the first effective day of the GDA wherein the awardee has not yet incurred the cost because a bill from a subcontractor has not been paid would be considered eligible project costs.

**These would not be eligible costs, since the activities would have been undertaken prior to the availability of HEAL funding.**

24. Can funding be used for retrospective reimbursement of approvable costs i.e., if we have already spent money on restructuring in the last twelve to twenty four months, does it qualify for HEAL funding?

**No. HEAL NY funds cannot be used to supplant committed funding sources or to cover previously incurred expenditures**

25. Section 1.5 Project Timeframes

This section states that projects are for 2 years "with a one year extension available on pre-approval of the DOH, DASNY and the State Controller." Would you describe the conditions under which such an extension could be given?

26. What criteria will be used to grant a one-year extension beyond October 1, 2008?

**Answers to questions 25 and 26: Applicants are strongly encouraged to craft projects that can be completed within a two year timeframe. Applicants should not rely on an expectation of approval of any extension period.**

#### IV. Eligible Projects:

- 27 Does section 1.6 iii allow applications that propose only planning activity (development of specifications, A&R drawings etc.) for reconfiguration of acute care capacity or must demolition/construction take place during the grant period?
28. Our County has the distinction of one of the fastest "growing" counties in NYS. Rather than downsizing and closure, we are looking at expansion and have created a Regional Health Planning Organization, to insure the needs of our region are met. Members of this organization include hospitals and other health and human services agencies. Can HEAL grant money be accessed to support this unique situation of growth, expansion and "rightsizing" of a different sort?
29. Could you provide some feedback on whether our project would be a good match for HEAL Phase 2. The project is part of a physical reconfiguration on our hospital campus that would improve the quality, stability and efficiency of health care delivery in our community. When the space becomes available early next year, a building that has been used for physician offices would be renovated into clinical space which provides much-needed primary care services to immigrants and refugees.

These services have been in the same locations for decades and the spaces are no longer adequate to meet the needs of patients and physicians. Relocating into the renovated space (as well as putting these services in the same building) would increase efficiency in many areas, most of all in terms of patient flow and continuity of care. In addition, these are sites of residency programs that are key to providing new physicians and dentists for New York State. Because of the populations served, these physicians and dentists come out of the program with a strong commitment to community service for the underserved.

We believe the project meets the HEAL NY Phase 2 criteria of restructuring to meet community need. We would appreciate any guidance you could provide.

30. I have a few ideas in mind that could benefit my residents as well as the surrounding community. I would like to bounce them off you before discussing with hospitals in my area. If possible, could you give me a call to go over a few ideas I am thinking about to see if they could be considered for funding.
31. If a nursing home had two Adult Day Health Care program locations – one in the nursing home and one off-site – would a renovation project to enlarge and combine the two programs in the nursing home (for economies of scale) and redeploy the off-site space into another health care use be an appropriate project to be considered for this grant program?
32. One of the stated objectives of the HEAL NY program is to reduce/convert "licensed" acute inpatient hospital and SNF beds. Many hospitals have a number of licensed beds much greater than what they actually use and what their average daily census would support. Would a project that proposes to reduce "available beds" or "beds in service" be given preference over a project that is reducing licensed beds?

33. If a facility determines that x number of beds could be converted to 3 different non-acute services or projects for which community need exists, is the downsizing per project  $x/3$ ?
- Can funds be requested and used to convert 2-bed semi private rooms to 1-bed private rooms?
  - Can funds be requested and used to renovate a hospital's physical plant, in general?
34. Can licensed NH beds that are out of service be turned in, in return for consideration of a lower level of care bed?
35. If the application is from a System perspective, we can take beds back from one facility and ask for debt relief at another facility.
36. During meeting it was stated that these requests can be creative. Will the grant be approved if it includes things that have been historically been considered precedent setting. For example can NH beds be moved across county lines? can portions of NH beds be removed from a nursing home and moved to another one (e.g.. 20 beds decertified at 1 NH, 10 Beds added at another)?
37. Will grant funds be awarded for capital costs related to the conversion of medical/surgical and pediatric beds to psychiatric beds in an acute care hospital?
38. Our grant involves collaboration of competing stakeholders and with the recent development of HEAL NY grantees we would like to speak with you in detail about our project and its value to the delivery system.

A rural hospital and the local multi-specialty group are working on a collaborative venture to consolidate their respective imaging departments into one imaging center that will service the community. This would eliminate duplication of costly imaging equipment and the need for two full staffs. The project does entail a capital cost component to accommodate space requirements as well as the needed funds to complete the start up. This would greatly benefit the community and eliminate duplication of very costly services.

39. As Director of a non-profit nursing care facility for the elderly poor, I am seeking new funding for our projects and programs I am interested in exploring the HEAL NY Phase II grant, but would like more details on the State's priorities for the grant. Can you please send me additional information?
40. Would the capital costs associated with adding additional neurological and cardiovascular Intensive Care Unit beds be fundable under HEAL NY if such additions are supported by regional need?
41. Would the capital costs associated with adding Emergency Medical Services support (ambulances and first responder vehicles/equipment) be fundable under HEAL NY 2 if this is in response to regional need?
42. Can eligible projects may include information technology costs if *directly related to* converting challenged hospitals to a different level of care per community need, converting under-utilized hospitals to non-acute services, consolidating facilities, decertifying unneeded nursing home beds to allow enhanced living space or alternative levels of long term care?

43. I am uncertain about the intent of the language on page 5 of the RGA regarding examples of Projects:

*Acquisition, construction, reconstruction, equipment and information technology costs necessary for the conversion of challenged, but needed hospitals, to levels of care more consistent with community needs. Such projects could include Critical Access Hospitals and “freestanding” emergency rooms with a limited number of medical/surgical (“M/S”) beds (as a division of a larger nearby hospital) for holding purposes.”*

Would a project focused primarily on upgrading information technology hardware infrastructure that enabled the hospital to provide “levels of care more consistent with community needs” be considered a viable project for the purposes of this grant?

44. We are a not-for-profit Continuum of Care (we offer Adult Day Services, Home Care Services, Independent & Assisted Living, two Skilled Nursing & Rehabilitation Centers and Respite Care) seeking to apply for funds that will support three separate projects within our Continuum. We intend to seek funds that will:

- Expand and enhance our Adult Day Services Program;
- Expand and enhance our Long-Term Home Health Care;
- Provide Hospice In-Patient Care;

Should we submit one application for all three projects; submit one application for the two projects another for the third project; or submit three separate applications, one for each project?

45. Would an expansion project that increases revenue for a distressed hospital be an appropriate project for this phase of HEAL funding?
46. Can funds be requested to upgrade HVAC for the entire physical plant?
47. Can funds be requested to improve overall information technology systems of the hospital?

**Answer to question 27 to 47. The NYS Department of Health and the Dormitory Authority of the State of New York cannot consult with potential applicants or advise potential applicants. The Request for Grant Application (RGA) #0604261035 contains the information that a potential applicant should use to complete their grant application.**

- A potential applicant can use the RGA to determine if their institution meets the eligibility requirements as defined in section 1.4 - Eligible Applicant,
- A potential project should meet the goals of HEAL NY as defined in section 1.2 - HEAL NY Capital Restructuring Objectives; and
- Any proposed projects should meet acceptable project criteria as defined in section 1.3 – HEAL NY Capital Restructuring Projects.

A successful grant recipient will have demonstrated (in addition to the other requirements set out in the RGA that it is an Eligible Applicant (as described in Section 1.4 of the RGA), that it is proposing an appropriate project implementing the Objectives described in Section 1.2 of the RGA, and that will incur Allowable Costs for which grant funds may be used as described in Section 1.8 of the RGA. Applications meeting these (and the other RGA) requirements, will be reviewed against the factors described in Section 3.4 of the

**RGA, the first of which is “Demonstration of reduction in excess health system cost or usage.” While some of the Project examples in Section 1.3 of the RGA relate to closure and downsizing, scoring of all applications will be in accordance with the Selection Review Process described in Section 3.4 of the RGA.**

48. Referring to Section 1.3 in the RFA, what level of priority will be given to projects to reconfigure facilities where the hospital is not a distressed entity and the objective is to better meet current and emerging community needs, but not to downsize or close facilities?

**Applications that propose to downsize or close facilities or consolidate beds and services will be more in keeping with the purposes of this RGA than those that do not.**

49. Please elaborate on “Provide an evaluation of community need by service,” specifically define the term “service” (page 30 under B. Project Description).

**Services and /or beds for which general hospitals and nursing homes obtain licensure under the Public Health Law (e.g., Articles 28 and 36.)**

50. RGA Section 1.2 -- Can projects that address unmet community need include services that require to be licensed from State OASAS and/or OMH (i.e. projects to expand behavioral health care services)?

**Yes**

51. Can rightsizing be funds used to fund PACE programs or address quality issues such as Greenhouses?

**Yes, funds can be used for PACE plans and Greenhouse projects if they are related to rightsizing as part of restructuring objectives as defined in Sections 1.2 and 1.3 of the RGA.**

52. Can this grant be used as an opportunity to reconfigure beds, services, etc between separately-licensed hospitals, nursing homes and home care agencies -- e.g..decertify some acute and LTC beds, allow us to move remaining beds or services around as necessary?

**Yes. Decertification of certified beds may be a valid component of a project if the overall project meets the objectives of the RGA**

53. Is decertification of certified acute care beds a valid project under the RGA?

**Yes**

54. Do projects need to address “all” RGA objectives (see page 31 RGA section 1.2) or just relevant objectives?

**Projects do not need to address “all “ RGA objectives. The more objectives that are addressed, the stronger the application.**

55. Must the applicant’s proposed plans be aligned with existing Local, State or National Health Care Plans, Reports or Studies?

**No, not specifically; however, the potential project must be aligned with the objectives and project descriptions as found in Sections 1.2 and 1.3 in the RGA. Applicants will also need to meet state and local regulatory requirements and all Certificate of Need regulatory requirements.**

56. Are there any requirements or restrictions regarding the DOH Rightsizing Demonstration Program, as it relates to HEAL NY Phase 2?

**No, as noted in the Dear Administrator letter dated June 9, 2006, announcing the second phase of the Nursing Home Rightsizing Demonstration Program, HEAL funds are a possible source of support for capital projects approved under this Program.**

57. Will the DOH allow active parent applications to propose system solutions? For example, beds are decertified at one Article 28 facility with the money being used to build a primary care center at another Article 28 facility?

**Yes, system-wide solutions are encouraged.**

58. How does this cycle of Heal NY relate to potential recommendations of the "Berger Commission" which is not required to submit its final report until the end of the calendar year?

59. What is the status of the Commission on Health Care Facilities in the 21<sup>st</sup> Century Report?

60. Has the Commission published goals for Restructuring?

61. Has the Commission made any recommendations with regard to regions or institutions?

62. How does this process fit into the "Commission" recommendations? For example, what if service reconfiguration is not consistent with their proposal?

**Answers to questions 58 to 62: The Commission on Health Care Facilities in the Twenty-First Century will not make its specific recommendations public until late in 2006; however, the Commission’s goals are compatible with those of HEAL NY.**

**V. Financial Issues:**

63. Section 1.8.2, requires that 50% of the project costs be funded from other sources and that these sources must be “fully-committed” at the time the GDA is executed. Does “fully-committed” mean a letter from your banker stating that financing is achievable for the project as defined?

**Yes, a commitment from the applicant’s bank applicable to funds to be borrowed from that bank would be required prior to the execution (signing) of the Grant Disbursement Agreement as stated in Section 1.8.2 Matching Costs.**

64. What does "committed" mean for matching funds? The source of our match will be real estate which we are selling. That sale may not be consummated by October. Would a pledge for sale or a bank letter of credit against the property suffices as committed funds?

**The pledge for sale or a bank letter of credit applicable to funds to be borrowed from that bank can count as matching funds.**

65. Assuming decertification of hospital beds is an appropriate project, are there limits on what funds can be requested for?

**Funding limits are stated in the RGA in Section 1.7.1 Grant Categories. Allowable costs are described in Section 1.8 Allowable costs.**

66. The application states that short term grant support is available to support downsizing in the case when billable services will not meet the needs regarding the orderly separation of staff, and safeguard the infrastructure. On the face of it, it appears that grant funds can be used for working capital needs. Would you please elaborate on the allowable applications relevant to this example cited.

**Certain costs that would not otherwise be capital expenses may be reimbursed if directly related to closure or downsizing. Please refer to the allowable costs described in Section 1.8 of the RGA.**

67. It appears that some of the state appropriation funds could be used for paying off existing debt. Does this only apply in the complete closure of the nursing home or can it apply in a downsizing of the nursing home?

**Paying-off existing debt would be allowed in the downsizing of a nursing home as defined in Section 1.8.1 Allowable Expenditure Types.**

68. In the “Project Expenses and Justification” form, are the expense categories (e.g., “employee expenses”, Demolition of Building”) listed under “Closure” considered permissible expenses only for closure or are these permissible expenses for downsizing as well.

**As described in Sections 1.1 and 1.8 of the RGA, funding of grants is anticipated to be from a combination of proceeds of bonds issued by DASNY and a capital appropriation to DoH. The expense categories under “Closure” (see page 36 of the RGA, form for Project Expenses and Justification) would be allowed in connection with a project that includes the downsizing of a hospital or nursing home as defined in Section 1.8.1 Allowable Expenditure Types to the extent that they can be funded from the capital appropriation.**

69. Can a hospital that has a qualified auditor’s opinion as a “going concern” qualify as a distressed entity even though they may not meet all criteria set forth in the RGA?

**No, Financially Distressed Entity is defined in section 1.8.3.**

70. Reference: Section 1.8.3 Financially Distressed Entities  
Our hospital is purchasing two nursing homes from a single owner. The nursing homes had a loss from operations in each of the three consecutive preceding years and a current ratio of less than 1:1 for each of the three consecutive preceding years but did not have a negative fund balance or negative equity position strictly because of their land and building value. Can they still qualify as Financially Distressed Entities?

**No**

71. Financially distressed criteria - our hospital meets all of the criteria for financially distressed entities for 2004, 2005 & 2006. certified financial statements can be supplied for 2004 & 2005, certified financial statements for 2006 will be available in February 2007, what documentation would you accept for 2006 as evidence of meeting the criteria for the year 2006 so that the hospital meets the financially distressed entity status?

**The applicants most recently completed three consecutive fiscal years for which independently certified financial statements are available at the time of the application must be used. Your organization would need to use years 2003, 2004 and 2005 to qualify.**

72. (RGA Section 1.8.2) Can the proceeds from the sale of an Article 28 asset (real property) be used as some or all of the required 50% match funds?

**Yes**

73. What years is the DOH using to determine distressed facilities?

**The applicants most recently completed three consecutive fiscal years where certified financial statements are available.**

74. With regards to 1.8.1, Closure Costs, is there a definition of what constitutes “debt”? In other words, besides mortgage and other long term borrowings, does trade debt, unfunded pension liability, meet the definition of “debt”?

**There is no formal definition of “debt” in the RGA. We will look at an entity’s debt load and liabilities on a case-by-case basis within the context of the proposal.**

75. With regards to 1.8.1, Closure Costs, does “closure” refer only to the complete closure of a hospital, or does closure of a “unit” (or beds) pursuant to a restructuring plan, qualify as a closure?

**Closure can refer to any component of a hospital or nursing home.**

76. With regards to 1.8.1, Closure Costs, could item (f) appropriate employee related expenses during a closure process relate to pension obligations?

**Yes, Item (f) in section 1.8.1 could refer to pension obligations if they directly relate to the proposed project.**

77. Is there any consideration given to waive the matching requirements for an entity on the verge of bankruptcy but does not meet all criteria as a distressed entity?

**No.**

78. Does the applicant have to have cash on hand at the time of grant award?

**The applicant must have what cash is required to meet their pledge of matching funds in accordance with the application and consistent with the source identified in the application. It does not need to be in the form of cash at the start of the project; however, they must be committed and available when needed (ie, bank line of credit, etc.) For example, cash which is reasonably anticipated from future revenues (unrelated to the Project) would not be expected to be available at the time of execution of the GDA.**

79. According to the RGA a Project could include “costs necessary to manage both long and short term capital debt obligations.” Can you site examples of the type of costs being referred too? Does this imply payment of existing debt obligations if associated with a bona fide restructuring initiative? Are any of the Grant Categories more appropriate for such costs/projects?

**The clearest example would be payment of the mortgage debt associated with a facility to be closed and sold for an amount less than the outstanding mortgage debt. Other examples are possible, with a common thread of the distinct relationship between the restructuring and the debt to be managed. No one Grant Category is more appropriate for such projects than another.**

80. If less than the amount of the request is granted is the scope of the project renegotiable or is the applicant held to the proposed scope and expected to some how make up the shortfall?

**Projects will be expected to be substantially and materially completed as proposed.**

81. Please clarify whether the funding can be used to retire existing debt on assets to be closed. Page 5 talks about managing both long and short term debt obligations but does not specifically state that funds can be used to retire debt. Elsewhere (page 7, section 1.6) it states that bond proceeds cannot be used to manage debt obligations. Then on page 9, section 1.8.1, it says that “discharge of existing long term debt ...associated with facility being closed” is an allowable closure cost.

**As described in Sections 1.1 and 1.8 of the RGA, funding of grants is anticipated to be from a combination of proceeds of bonds issued by DASNY and a capital appropriation to DoH. Bond proceeds (as stated in Section 1.6 of the RGA) will not be available to help manage the applicant’s long and short term debt, but might be available to retire debt associated with property acquired as part of the project. However, funds from the capital appropriation may under some circumstances be available to help manage long and short term debt which could include debt retirement.**

82. For each Grant Category (Rural, Small and Regional) there is a stated maximum limit of Grant Request (with a separate limit for financially distressed entities, which for purposes of this question we can ignore). Assuming the maximum grant request is made, i.e. 50% for a Rural Project; a \$1,500,000 Grant Request would apply to a \$3,000,000 project. A \$500,000 Grant Request for a Small Project at 50% would assume a \$1,000,000 project and \$37,500,000 at 50% for a Regional Award would assume a \$75,000,000 project. My question is: Do the caps on Grant requests apply solely to the Grant amount or do they somehow carry over to the total cost of the project? Maximum total project limitations do not appear in the RGA. It was stated at the Applicant Conference that an applicant can apply for less than maximum grant funding. The following is an illustration of my question.

An applicant applies for a \$4,000,000 Rural Project, seeking the maximum \$1,500,000 of Grant Funding, which equates to only 37.5% of project cost. The balance of project cost would come from matching funds. Would this constitute an eligible Rural Project? If so, is there any upper limit on a project, so long as the Grant request is within the limitations stated in Section 1.71? (I understand that a high project cost may result in a lower rating, but that is not the point of this question.)

**All cap amounts refer to the amount of the grant request not the cost of the project. There is no upper-limit on the actual cost of the complete project.**

83. Matching funds - what documentation is required for matching funds if they are coming from a parent corporation of the applicant?

**A Memorandum of Understanding or a Board Resolution from the parent corporation authorizing the matching funds for the Project would be acceptable.**

84. RGA 1.8.2 - Matching Costs -- What would be the best method for demonstrating that a hospital has the wherewithal to match HEAL funding with its own funding?

**The best – but not the only – way to demonstrate this would be to provide a current balance sheet that reflects sufficient cash and investments to meet the match required.**

85. RGA 1.8.2 Matching Costs -- May an Applicant count the value of land donated by an Applicant-controlled entity toward its matching funds?

**Yes. The land would be valued at its fair market value.**

86. RGA 1.8.2 Matching Costs -- May an Applicant count the value of land donated by a developer toward its matching funds?

**Yes. The land would be valued at its fair market value.**

87. RGA 1.8.2 Matching Costs -- May the value of donated property be documented through a third party appraisal?

**Yes.**

88. RGA 1.8.2 Matching Costs -- If the Applicant will construct a facility on donated land, 60 percent of which will be dedicated to HEAL services and the other 40 percent to related commercial uses (retail pharmacy and parking), may 100 percent of the land value still be counted toward the Applicant's matching funds?

**No. The value which could be considered for matching purposes would be the portion related to the restructuring project.**

89. In completing the funding application, is it expected that applicants request/specify grant and/or bond funding levels?

**No. However, it is critical that the list of project expenses identify individual expenses in sufficient detail to permit DOH and DASNY to determine whether an expense is likely to be capitalizable and whether that expense is likely to be permissible for reimbursement from capital appropriation funds or bond proceeds.**

90. If not, how will determinations be made with regard to whether an applicant receives a grant or a Dormitory Bond or both?

**All awards, whether funded by capital appropriation or bond proceeds will be grants. The determination of how to fund a grant will be made by the NYS DOH and DASNY. Therefore, it is critical that the list of project expenses identify individual expenses in sufficient detail to permit determination of whether an expense is likely to be capitalizable and whether that expense is likely to be permissible for reimbursement from capital appropriation funds or bond proceeds.**

91. With regards to 1.8.2 Matching Costs: It is our understanding that borrowed funds can be used towards an applicant's matching costs. Does a \$1 buy out lease arrangement with a term of 60 months, qualify as a loan and/or borrowed funds?

**There are really two separate questions here. First, you will need to make a determination whether entering into this transaction results in a capitalizable expenditure. Secondly, documentation of intent to enter into this transaction would be acceptable to demonstrate availability of the matching funds.**

## VI. Certificate of Need Issues:

92. Can applications be submitted to support existing projects that are underway (with approved CON applications).

**No. HEAL NY funds cannot be used to supplant committed funding sources or incurred expenditures.**

93. A potential applicant has a CON approval with contingencies but has not yet satisfied these contingencies because, although the applicant originally identified cash as the source of funding, the applicant cannot assemble the cash required to implement the project. Under these circumstances, and assuming the project meets all the program's criteria, would such a project be eligible for funding under HEAL NY Phase 2 program?

94. If you have an contingently approved CON that has not started, can the project be considered for grant funding?

**Answers to questions 93 and 94: No. Submission of a CON application indicates that the applicant already anticipated sufficient funding for the project from other sources prior to the availability of HEAL funding.**

95. If you have a CON submitted but has not yet received a DOH recommendation, can the project be considered for grant funding?

**No. Submission of a CON application indicates that the applicant already anticipated sufficient funding for the project from other sources prior to the availability of HEAL funding.**

96. We have already received a CON to rebuild a co-generation plant. This plant saves money for the state because we do not need to buy electricity. It also qualifies our facility as a regional emergency preparedness program in case of disasters where electric power is needed on a local or regional basis for other people or facilities in the community. We currently provide electricity for others in the community. Would we definitely be precluded from securing funding under HEAL NY 2 under these circumstances?

**In order to obtain an approval for your CON, your funding sources were already established. No HEAL NY funds can be used to supplant committed funding sources or incurred expenditures.**

97. Can a provider obtain HEAL NY funding for a project for which Certificate of Need approval has already been received and, if so, under what circumstances?

**In order to obtain an approval for your CON, your funding sources were already established. No HEAL NY funds can be used to supplant committed funding sources or incurred expenditures.**

98. We currently hold an approved Certification of Need (CON) for the construction of a new Skilled Nursing Facility (SNF). We are exploring the possibility of entering into a private sector development agreement via a Request for Proposal (RFP) process, to construct the facility. We intend to retain a consultant to advise on the RFP process and to serve as owners representative during project development. Under Section 1.8.1, would the cost of such professional services be considered an “Allowed Expenditure”?

**No**

99. Must the grant application include any architectural/engineering drawings or certifications for the proposed capital project, recognizing that such documents are included in the respective project's CON application?

**Certified drawings need not be submitted, but applications may include a preliminary sketch or diagram if appropriate to the project.**

100. Do CONs related to HEAL NY2 projects have to be submitted by the due date of July 31, 2006?

**No. Please note that the application due date for the RGA has been extended to August 15, 2006.**

101. RGA 3.10 - General Specifications -- May an Applicant include within its HEAL proposal services requiring licensure by OASAS? If so, will OASAS expedite the application in the same manner as DOH has committed to expediting HEAL-related CONs?
102. RGA 3.10 - General Specifications -- May an Applicant include within its HEAL proposal services requiring licensure by OMH under Article 31? If so, will OMH expedite the PAR application in the same manner as DOH has committed to expediting HEAL-related CONs?

**Answers to 101 and 102: Yes. DOH will work with its sister agencies to expedite any required approvals.**

103. Please elaborate on what is meant by “pending or completed regulatory approval” (page 30 under B. Project Description). Does this refer to CONs only?

**No. Other regulatory requirements may be applicable, such as the hospital code (Part 405) and the medical facilities construction code (parts 711 through 716).**

## **VII. Grant Structure and Format**

104. RGA Attachment 9 -- Does an Applicant whose Project involves construction or renovation within an existing building need to submit an SEQR form?

**Yes. All applicants need to submit the SEQR form.**

105. Who should sign the SEQRA Form provided as attachment 9.

**The EAF should be signed by the preparer of the form, who should be a representative of the applicant who can verify that the information provided is accurate.**

106. Does everyone need to fill out the Short Environmental Assessment Form? If no, how do we determine if it is necessary to do so?

**Yes**

107. Do you have a preference re the binding of the applications. Do you prefer 3 ring binders, spiral bound, etc.

108. What is the preferred method of binding each copy of the application (i.e., stapling, binder, etc...)?

**Answers to questions 107 and 108: Applicants should submit their applications in bindings that are appropriate to the size of their proposals, bearing in mind the need to submit 11 copies and the need for ease of handling by reviewers evaluating large numbers of submissions from multiple applicants**

109. Will you provide a Word Document version of the RGA to use as a template?

**A Word template of the Phase 2 grant application has been posted on the Department's website.**

110. What are the required page margins?

111. Cover Page, Attachment 6: Does this need to be exactly reproduced, including the "Important" note in the center of the page?

112. Cover Page, Attachment 6: Is it acceptable to list the RGA Number and Name above the Project Name and Eligible Applicant name?
113. Footer: What should be contained in the footer? The page number only or does the RGA number need to be included as well?
114. Header: What should be contained in the header? The Project Name and Eligible Applicant Name only or does the RGA number need to be included as well?
115. Is it allowable to include page numbers for each item on the Table of Contents page?  
Example:  
Eligible Applicant .....7
116. Is it allowable to include additional items to the Table of Contents? Example: SEQR
117. Forms (SEQR, Eligible Applicant Certification, etc...): Do the Forms have to be re-produced in 12 font, or do the answers just have to be in 12 font?

**Answers to questions 110 through 117: Formatting and application preparation are addressed in the grant application. Formatting requirements are available on pages 29 and 33 of the RGA. The application format provided in the RGA is intended to provide assistance to applicants in completing their applications and allow reviewers to easily-review multiple applications. The format content and order should be followed. Applicants do not need to exactly follow specific page headers, footers and borders and do not need to repeat instructions provided to the applicant.**

## VIII. Awards

118. Do regional funds include an allocation for the rural pool of \$20 million and the small projects pool of \$10 million?

**Yes, the maximum amount available for Regional awards may be as high as \$269 million and as low as \$239 million, depending upon the possible amounts awarded to Small and Rural projects. The amount available for Regional awards may be reduced by up to \$20 million for Rural projects and up to \$10 million for Small projects. The reductions in Regional awards will take place in the specific geographic region where each Rural and Small awardee is located. Each Applicant must select their project category and region (see Technical Application Cover Page; page 27 of the RGA.)**

119. Does participation in Phase 2 preclude the applicant from participating in any future phases of HEAL NY grant years?

**Although the parameters for future grant awards have not yet been determined, there are no current plans for such restrictions on future participation.**

120. If circumstances require, may an Applicant change its financing or construction method for a HEAL project after award of a HEAL grant?

**Yes, provided there is no significant change in the scope of the project or the approved deliverables, and no change in the approved uses of HEAL NY funds.**

121. Are additional cycles of Heal NY grants for restructuring anticipated? If yes will they be contingent on having been awarded a grant in this cycle?

**Yes, additional cycles are planned. Although the parameters for future grant awards have not yet been determined, there are no current plans for such restrictions on future participation**

122. At the applicant conference, there was a statement made that in evaluating the applications, the State must be able “to verify the savings to the system.” Can you clarify how this verification would occur?

**The applicant will be required to document activities that result in cost-savings, such as reductions in beds or unneeded equipment; the conversion of inpatient capacity to less costly ambulatory or community-based care; or reductions in fixed costs.**

123. Please elaborate on what is expected with respect to “any quality assurance testing that will be performed” (page 31 under C. Project Monitoring Plan).

**This refers to the use of indicators that measure processes and outcomes that indicate an improvement in the quality of care. For example, reductions in excess lengths of inpatient stay and increases in the number of timely discharges to levels of less restrictive care appropriate to patients’ needs.**

124. Please elaborate on what is meant by “all means by which project savings can be verified after project completion” (page 34, under C. Cost effectiveness)? Please provide examples of “means” for verifying project savings.

**The applicant will be required to document activities that result in cost-savings, such as reductions in beds or unneeded equipment; the conversion of inpatient capacity to less costly ambulatory or community-based care; or reductions in fixed costs.**

## **VIII. General Questions:**

125. Page 31 of RGA - Project Monitoring Plan: Would regular meetings of the Project Team to monitor progress and milestones be an acceptable component of the Project Monitoring Plan?

**Yes, but other components would be needed as well.**

126. Page 31 of RGA - Project Monitoring Plan: Define/explain the phrase "quality assurance testing".

**This refers to the use of indicators that measure processes and outcomes that indicate an improvement in the quality of care. For example, reductions in excess lengths of inpatient stay and increases in the number of timely discharges to levels of less restrictive care appropriate to patients' needs.**

127. RGA 3.10 - General Specifications: What, if any, State approval would be required to make assorted building repairs whose total cost is less than \$1 million.

**HEAL NY funds may not be used for routine repairs and maintenance.**

128. I would appreciate receiving e-mail notification of postings pertaining to HEAL NY PHASE II.

**You may receive e-mail notification of postings to the Department of Health Website by sending a request to the HEAL NY e-mail account at [healnycap06@health.state.ny.us](mailto:healnycap06@health.state.ny.us). In addition, anyone who has e-mailed a question to this address as part of the Q& A has been added to the e-mail list.**